Planning by	Reviewed	Performed by	Final review
	R.M		

30/08/2[illegible]

West Rand Development Agency
(Registration number 2005/005372/07)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipal entity
Directors	Z. Mphaphuli (Acting Chief Executive Officer) T. Mokale (Chairperson of the board committee) L. Mpambani (Chairperson of Audit, Finance & Risk Committee) E. Mokhine (Chairperson of Human Resources & Remuneration Committee) B. Friedman (Chairperson of Economic Development & Investment Committee) P. Nodada (Chairperson of Projects & Procurement Committee) L. Hibbert (Non-Executive Director) M. Mohlakoana (Non-Executive Director) J.E. Sloan (Non-Executive Director) G. Sebola (Non-Executive Director)
Alternate Directors	L. Brits (Member of sub-committee) A. Asvat (Member of sub-committee) M. Gaofane (Member of sub-committee) A. Masiu (Member of sub-committee)
Registered office	22 Stubbs Street Randfontein 1760
Business address	25 Boshoff street Krugersdorp 1740
Bankers	First National Bank Standard Bank of South Africa
Auditors	Auditor General - South Africa
Company registration number	2005/005372/07
Tax reference number	9267870153

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

MBRR	Municipal Budget and Reporting regulations
MPAC	Municipal Pubic accounts committee
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
GGDA	Gauteng Growth and Development Agency
IAS	International Accounting Standards
GIFA	Gauteng Infrastructure Financing Agency
GDARD	Gauteng Department of Agriculture and rural development
ME's	Municipal Entities
MMC	Member of the Mayoral committee
MFMA	Municipal Finance Management Act
IDC	Industrial Development Corporation
CIGFARO	Chartered Institute of Government Financial, Audit and Risk officers
IFRS	International Financial Reporting Standards
WRDM	West Rand District Municipality

Board's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP)

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The entity is wholly dependent on the West Rand District Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the West Rand District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Number of economic development inititiatives has been facilitated, however the entity does not have adequate qualified personnel except for the acting Chief executive officer to provide professional support to the board in implementing the business plan. It is regretably to note that despite the previous resolutions taken on various forums the constituent local municipalities did not meet their financial commitment to contribute toward the effective operationalisation of the entity and its solely supported by its Parent Municipality which is presently experiencing financial difficulties.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 49, which have been prepared on the going concern basis, were approved by the board on 30 August 2019 and were signed by:

T. Mokale (Chairperson of the board committee)

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 3 times per annum as per its approved terms of reference. During the current year four (4) number of meetings were held.

Name of member	Number of meetings attended
L. Mpambani (Chairperson)	4
G. Masobe (Member)	4
E. Mokhine (Member)	4
L. Hibbert (Member)	4
J. Mohlakoana	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the board;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Director's Report

The directors submit their report for the year ended 30 June 2019.

1. Incorporation

The entity was incorporated on 17 February 2005 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus (deficit) of R (4,918,337) and that the entity's total assets exceed its liabilities by R 9,660,191.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and that the service delivery agreement held with West Rand District Municipality will remain in force for so long as it takes to restore the solvency of the entity.

Please refer to note 29 (Going concern)

4. Subsequent events

The directors have taken all events, matters and /or circumstances arising after year end in preparing and presenting the annual financial statements.

5. Directors' interest in contracts

The director's did not have interest in any contracts of the WRDA.

6. Accounting policies

The annual financial statements prepared in accordance prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

The share premium of R14 578 428 arose in 2008 when 100 ordinary shares with a par value of R1 per share were subscribed for at a value of R14,578,528 represented by the transfer of assets by WRDM to WRDA.

8. Board

The directors of the entity during the year and to the date of this report are as follows:

Name
Z. Mphaphuli (Acting Chief Executive Officer)
T. Mokale (Chairperson of the board committee)
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)
E. Mokhine (Chairperson of Human Resources & Remuneration Committee)
B. Friedman (Chairperson of Economic Development & Investment Committee)

Director's Report

P. Nodada (Chairperson of Projects & Procurement Committee)
L. Hibbert (Non-Executive Director)
M. Mohlakoana (Non-Executive Director)
J.E. Sloan (Non-Executive Director)
G. Sebola (Non-Executive Director)

9. Board Member and Executive Managers Emoluments

Whole owned subsidiary

	Acting allowance	Board fee	Total package 2019	Total package 2018
Non-Executive Members				
T. Mokale (Chairperson of the board committee)	-	55,000	55,000	60,500
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)	-	70,000	70,000	57,000
E. Mokhine (Chairperson of Human Resources & Remuneration Committee)	-	90,000	90,000	73,500
B. Friedman (Chairperson of Economic Development & Investment Committee)	-	105,000	105,000	98,000
L. Hibbert (Non-Executive Director)	-	76,500	76,500	73,000
N.D. Ndlovu (Non-Executive Director)	-	-	-	9,000
J. Mohlakoana (Non-Executive Director)	-	69,000	69,000	27,000
J. Sloan (Non-Executive Director)	-	94,500	94,500	90,500
W. Myburgh (Member of subcommittee)	-	-	-	9,000
A. Masiu (Member of subcommittee)	-	60,000	60,000	54,000
L. Brits (Member of subcommittee)	-	36,000	36,000	24,000
G. Masobe (Member of subcommittee)	-	29,500	29,500	15,000
A. Asvat (Member of subcommittee)	-	-	-	6,000
	-	**685,500**	**685,500**	**596,500**

Executive Managers				
M. Gaffane (Chief Executive Officer)	-	-	-	504,799
Z. Mphaphuli (Acting Chief Executive Officer)	618,452	-	618,452	433,494
	618,452	**-**	**618,452**	**938,293**

Director's Report

10. Corporate governance

General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer who is the only executive director of the entity, is determined by the WRDM, and the board will determine the remuneration within the above mentioned limits.

Board meetings

The board has met on - separate occasions during the financial year. The board schedules to meet at least - times per annum.

Non-executive directors have access to all members of management of the entity.

Audit and risk committee

In terms of Section 166 of the Municipal Finance Management Act, West Rand District Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

Internal audit

The entity makes use of the internal audit function of West Rand District Municipality. This is in compliance with the Municipal Finance Management Act, 2003.

11. Bankers

The WRDA primarily banks with First National Bank and Standard Bank of Southern Africa.

Director's Report

12. Auditors

Auditor General - South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Other receivables	2	2,229,997	5,260,125
Cash and cash equivalents	3	4,763,434	2,099,502
		6,993,431	**7,359,627**
Non-Current Assets			
Property, plant and equipment	4	12,710,054	12,880,147
Intangible assets	5	1	61
		12,710,055	**12,880,208**
Total Assets		**19,703,486**	**20,239,835**
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	3,164,733	2,288,850
VAT payable	8	4,878,562	4,494,238
Transfers payable (non-exchange)	10	2,000,000	2,000,000
		10,043,295	**8,783,088**
Total Liabilities		**10,043,295**	**8,783,088**
Net Assets		**9,660,191**	**11,456,747**
Share capital / contributed capital	9	14,578,528	14,578,528
Accumulated deficit		(4,918,337)	(3,121,781)
Total Net Assets		**9,660,191**	**11,456,747**

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	12	344,796	238,633
Interest received - investment		184,878	-
Total revenue from exchange transactions		**529,674**	**238,633**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	3,826,087	3,859,649
Total revenue	11	**4,355,761**	**4,098,282**
Expenditure			
Employee related costs	15	(2,469,146)	(2,539,138)
Board remuneration	15	(685,500)	(596,500)
Depreciation and amortisation	16	(159,813)	(343,164)
Lease rentals on operating lease	17	(159,725)	(469,609)
Contracted services	18	(256,979)	(330,383)
Operating costs	19	(2,398,161)	(945,268)
Total expenditure		**(6,129,324)**	**(5,224,062)**
(Loss) gain on disposal of assets and liabilities	13	(27,192)	3,612,132
(Deficit) surplus for the year		**(1,800,755)**	**2,486,352**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Share premium	Total share capital	Accumulated deficit	Total net assets
Balance at 01 July 2017	**100**	**14,578,428**	**14,578,528**	**(5,608,133)**	**8,970,395**
Changes in net assets					
Surplus for the year	-	-	-	2,486,352	2,486,352
Total changes	-	-	-	2,486,352	2,486,352
Opening balance as previously reported	100	14,578,428	14,578,528	(2,722,010)	11,856,518
Adjustments					
Prior year adjustments (refer to note 27)	-	-	-	(395,572)	(395,572)
Restated* Balance at 01 July 2018 as restated*	**100**	**14,578,428**	**14,578,528**	**(3,117,582)**	**11,460,946**
Changes in net assets					
Deficit for the year	-	-	-	(1,800,755)	(1,800,755)
Total changes	-	-	-	(1,800,755)	(1,800,755)
Balance at 30 June 2019	**100**	**14,578,428**	**14,578,528**	**(4,918,337)**	**9,660,191**
Note(s)	9	9	9		

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		391,290	238,633
Grants and subsidies		2,200,000	6,400,000
Interest income		160,106	-
Other receipts		108,458	-
		2,859,854	6,638,633
Payments			
Employee costs		(3,096,103)	(3,393,558)
Suppliers of goods and services		(2,343,094)	(1,226,826)
		(5,439,197)	(4,620,384)
Net cash flows from operating activities	21	**(2,579,343)**	**2,018,249**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(16,850)	(27,250)
Proceeds from sale of property, plant and equipment	4	5,260,125	-
Net cash flows from investing activities		**5,243,275**	**(27,250)**
Net increase/(decrease) in cash and cash equivalents		**2,663,932**	**1,990,999**
Cash and cash equivalents at the beginning of the year		2,099,502	108,503
Cash and cash equivalents at the end of the year	3	**4,763,434**	**2,099,502**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	148,000	52,000	**200,000**	344,796	**144,796**	H
Agency services	-	100,000	**100,000**	-	**(100,000)**	
Interest received - investment	-	118,000	**118,000**	184,878	**66,878**	
Total revenue from exchange transactions	**148,000**	**270,000**	**418,000**	**529,674**	**111,674**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	6,394,000	3,800,000	**10,194,000**	3,826,087	**(6,367,913)**	D
Total revenue	**6,542,000**	**4,070,000**	**10,612,000**	**4,355,761**	**(6,256,239)**	
Expenditure						
Personnel	(2,251,000)	(1,292,000)	**(3,543,000)**	(2,469,146)	**1,073,854**	A
Board remuneration	(800,000)	400,000	**(400,000)**	(685,500)	**(285,500)**	A
Depreciation and amortisation	(569,000)	-	**(569,000)**	(159,813)	**409,187**	B
Lease rentals on operating lease	(180,000)	-	**(180,000)**	(159,725)	**20,275**	C
Contracted Services	(2,192,000)	(3,900,000)	**(6,092,000)**	(256,979)	**5,835,021**	E
Operating costs	(500,000)	-	**(500,000)**	(2,398,161)	**(1,898,161)**	F
Total expenditure	**(6,492,000)**	**(4,792,000)**	**(11,284,000)**	**(6,129,324)**	**5,154,676**	
Operating deficit	**50,000**	**(722,000)**	**(672,000)**	**(1,773,563)**	**(1,101,563)**	
Loss on disposal of assets and liabilities	-	-	-	(27,192)	**(27,192)**	G
Deficit before taxation	**50,000**	**(722,000)**	**(672,000)**	**(1,800,755)**	**(1,128,755)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**50,000**	**(722,000)**	**(672,000)**	**(1,800,755)**	**(1,128,755)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	148,000	160,000	**308,000**	391,290	**83,290**	H
Grants	4,394,000	7,900,000	**12,294,000**	2,200,000	**(10,094,000)**	D
Interest income	-	118,000	**118,000**	160,106	**42,106**	
Other receipts	-	-	-	108,458	**108,458**	
	4,542,000	**8,178,000**	**12,720,000**	**2,859,854**	**(9,860,146)**	
Payments						
Employee costs	(2,392,000)	(1,579,000)	**(3,971,000)**	(3,096,103)	**874,897**	A
Suppliers	(2,100,000)	(5,312,000)	**(7,412,000)**	(2,343,094)	**5,068,906**	C, E, F
	(4,492,000)	**(6,891,000)**	**(11,383,000)**	**(5,439,197)**	**5,943,803**	
Net cash flows from operating activities	**50,000**	**1,287,000**	**1,337,000**	**(2,579,343)**	**(3,916,343)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(50,000)	-	**(50,000)**	(16,850)	**33,150**	I
Proceeds from sale of property, plant and equipment	-	5,260,125	**5,260,125**	5,260,125	-	J
Net cash flows from investing activities	**(50,000)**	**5,260,125**	**5,210,125**	**5,243,275**	**33,150**	
Net increase/(decrease) in cash and cash equivalents	-	6,547,125	**6,547,125**	2,663,932	**(3,883,193)**	
Cash and cash equivalents at the beginning of the year	-	2,099,000	**2,099,000**	2,099,000	-	
Cash and cash equivalents at the end of the year	-	**8,646,125**	**8,646,125**	**4,762,932**	**(3,883,193)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Legends:

A- Under spending on personnel costs due to permanent CEO, financial manager, project manager and other key positions being vacant, of which the entity realised savings. The entity presently has an acting CEO and WRDM staff assisting with financial management functions. For sustatinability and succession planning purposes the entity will embark in stabilising the administration department with permanent staff members.

B- Under spending on depreciation due to the improvements made on the building which was previously donated by Rand West City local municipality which was taken out of the fixed asset register.

C- Under spending on lease rentals due to management decision in moving to new premises with more affordable rentals by heeding to cost containment measures in terms of circular 82.

D- Government grants and subsidies on the statement of financial performance has decreased due to the portion of VAT output on WRDM subsidy which is directly taken to VAT control account.
The entity anticipated to receive a grant from Gauteng economic development which was not transferred in 2018/19 financial period.

E- Under spending on contracted services due to the anticipated cost on projects from the funds expected from Gauteng department of economic development.

F- Over spending on operating cost is due to the accrual of municipal levies which were charged during the year based on the actual readings taken from Donaldson Dam.

G- This relates to the derecognition of assets which were taken out of the fixed assets register.

H- Donaldson dam gate takings were more than anticipated during the financal period.

I- This relates to the new laptop and projector bought during the financial year

J- This relates to the funds which were outstanding from the sale of Katlego facilities disposed in 2017/18 financial period.

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Investment revenue	-	118,000	118,000	-		118,000	184,878		66,878	157 %	DIV/0 %
Transfers recognised - operational	6,394,000	3,800,000	10,194,000	-		10,194,000	3,826,087		(6,367,913)	38 %	60 %
Other own revenue	148,000	152,000	300,000	-		300,000	344,796		44,796	115 %	233 %
Total revenue (excluding capital transfers and contributions)	**6,542,000**	**4,070,000**	**10,612,000**	**-**		**10,612,000**	**4,355,761**		**(6,256,239)**	**41 %**	**67 %**
Employee costs	(2,251,000)	(1,292,000)	(3,543,000)	-	-	(3,543,000)	(2,469,146)	-	1,073,854	70 %	110 %
Remuneration of councillors	(800,000)	400,000	(400,000)	-	-	(400,000)	(685,500)	-	(285,500)	171 %	86 %
Depreciation and asset impairment	(569,000)	-	(569,000)			(569,000)	(159,813)	-	409,187	28 %	28 %
Other expenditure	(2,872,000)	(3,900,000)	(6,772,000)	-	-	(6,772,000)	(2,842,057)	-	3,929,943	42 %	99 %
Total expenditure	**(6,492,000)**	**(4,792,000)**	**(11,284,000)**	**-**	**-**	**(11,284,000)**	**(6,156,516)**	**-**	**5,127,484**	**55 %**	**95 %**
Surplus/(Deficit)	**50,000**	**(722,000)**	**(672,000)**	**-**		**(672,000)**	**(1,800,755)**		**(1,128,755)**	**268 %**	**(3,602)%**
Surplus (Deficit) after capital transfers and contributions	**50,000**	**(722,000)**	**(672,000)**	**-**		**(672,000)**	**(1,800,755)**		**(1,128,755)**	**268 %**	**(3,602)%**
Surplus/(Deficit) for the year	**50,000**	**(722,000)**	**(672,000)**	**-**		**(672,000)**	**(1,800,755)**		**(1,128,755)**	**268 %**	**(3,602)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	50,000	1,287,000	1,337,000	-		1,337,000	(2,579,343)		(3,916,343)	(193)%	100 %
Net cash from (used) investing	(50,000)	5,260,000	5,210,000	-		5,210,000	5,243,275		33,275	101 %	(10,487)%
Net increase/(decrease) in cash and cash equivalents	**-**	**6,547,000**	**6,547,000**	**-**		**6,547,000**	**2,663,932**		**(3,883,068)**	**41 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	2,099,000	2,099,000	-		2,099,000	2,099,502		502	100 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**8,646,000**	**8,646,000**	**-**		**8,646,000**	**4,763,434**		**3,882,566**	**55 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2018				
Financial Performance				
Transfers recognised - operational				3,859,649
Other own revenue				3,850,765
Total revenue (excluding capital transfers and contributions)				**7,710,414**
Employee costs	-	-	-	(2,539,138)
Remuneration of councillors	-	-	-	(596,500)
Depreciation and asset impairment	-	-	-	(343,164)
Other expenditure	-	-	-	(1,745,260)
Total expenditure	**-**	**-**	**-**	**(5,224,062)**
Surplus/(Deficit)				**2,486,352**
Surplus/(Deficit) for the year				**2,486,352**
Cash flows				
Net cash from (used) operating				2,018,249
Net cash from (used) investing				(27,250)
Net increase/(decrease) in cash and cash equivalents				**1,990,999**
Cash and cash equivalents at the beginning of the year				108,503
Cash and cash equivalents at year end				**2,099,502**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The entity has complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code. All municipalities andmunicipal entities were expected to comply from the 1st July 2017.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

Accounting Policies

1.3 Transfer of functions between entities under common control

Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.3 Transfer of functions between entities under common control (continued)

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the entity and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the entity derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.5 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	30
Plant and machinery	Straight line	4 - 15
Furniture and fixtures	Straight line	4 - 18
Office equipment	Straight line	10
IT equipment	Straight line	5 - 17
Security	Straight line	10 - 25
Roads	Straight line	20
Emergency Equipment	Straight line	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	3-5 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Accounting Policies

1.7 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

1.11 Impairment of non-cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Accounting Policies

1.13 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue realised from the rental of facilities and premises is accounted for using the bank statement.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Grants and subisidies in-kind

Grants and subsidies in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

1.21 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Accounting Policies

1.21 Budget information (continued)

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/06/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Accounting Policies

1.23 Events after reporting date (continued)

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. Other receivables

Other receivables from exchange transactions relates to proceeds from the sale of Katlego facilities amounting to R5,260,125 and outstanding rental income from Afrigold. Furthermore it relates to accrued interest on call investment which was received after year-end.

Other receivables from non-exchange transactions relates to subsidy which was oustanding at year-end from the Parent Municipality.

The break down of other receivables is as follows:

	2019	2018
Other receivables from non exchange transactions		
Subsidy from WRDM	2,200,000	-

	2019	2018
Other receivables from exchange transactions		
Sale of Katlego facilities	-	5,260,125
Rental debtor	5,225	-
Accrued interest	24,772	-
	29,997	**5,260,125**

	2019	2018
Other receivables		
Other receivables from non exchange transactions	2,200,000	-
Other receivables from exchange transactions	29,997	5,260,125
	2,229,997	**5,260,125**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	351	695
Bank balances	252,294	2,097,124
Short-term deposits	4,510,789	1,683
	4,763,434	**2,099,502**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book/ General ledger balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National Bank - Cheque account	(2,322)	-	-	(2,322)	-	-
Standard Bank - Current account	114,160	2,097,124	106,785	254,619	2,097,124	106,785
Standard Bank - Call account	4,510,789	1,683	1,683	4,510,789	1,683	1,683
Petty cash	-	-	-	351	695	35
Total	**4,622,627**	**2,098,807**	**108,468**	**4,763,437**	**2,099,502**	**108,503**

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10,693,880	-	10,693,880	10,693,880	-	10,693,880
Buildings (1) (2)	5,902,992	(5,120,824)	782,168	6,106,900	(5,263,846)	843,054
Plant and machinery (1)	234,240	(214,393)	19,847	234,240	(191,577)	42,663
Furniture and fixtures	516,860	(425,409)	91,451	516,860	(394,903)	121,957
IT equipment	292,745	(268,980)	23,765	283,635	(267,478)	16,157
Other Assets	3,972,545	(3,208,272)	764,273	3,972,545	(3,167,911)	804,634
Leased Assets	88,164	(88,164)	-	88,164	(88,164)	-
Roads (1)	1,683,600	(1,388,884)	294,716	1,683,600	(1,367,853)	315,747
Electrical reticulation	325,590	(285,636)	39,954	325,590	(283,535)	42,055
Total	**23,710,616**	**(11,000,562)**	**12,710,054**	**23,905,414**	**(11,025,267)**	**12,880,147**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	10,693,880	-	-	-	10,693,880
Buildings (1) (2)	843,054	-	(27,193)	(33,693)	782,168
Plant and machinery (1)	42,663	-	-	(22,816)	19,847
Furniture and fixtures	121,957	-	-	(30,506)	91,451
IT equipment	16,157	16,850	-	(9,242)	23,765
Other Assets	804,634	-	-	(40,361)	764,273
Roads (1)	315,747	-	-	(21,031)	294,716
Electrical Reticulation	42,055	-	-	(2,101)	39,954
	12,880,147	**16,850**	**(27,193)**	**(159,750)**	**12,710,054**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	10,693,880	-	-	-	10,693,880
Buildings (1) (2)	1,842,371	-	(959,436)	(39,881)	843,054
Plant and machinery (1)	300,251	27,250	(238,573)	(46,265)	42,663
Furniture and fixtures	206,419	-	-	(84,462)	121,957
IT equipment	75,537	-	-	(59,380)	16,157
Other Assets	872,294	-	-	(67,660)	804,634
Roads (1)	791,494	-	(449,984)	(25,763)	315,747
Electrical Reticulation	43,941	-	-	(1,886)	42,055
	14,826,187	**27,250**	**(1,647,993)**	**(325,297)**	**12,880,147**

4. Property, plant and equipment (continued)

(1) A decision was taken by Council of the parent municiplality on 31 August 2017 for the Directors to proceed with the disposal of Katlego Facilities. On that date these assets were classified as non-current assets held for sale.These assets were then sold to Kretsmar Estates cc trading (Rhino and Lion) on 16 October 2017 at the fair value of R5,260,125. On the date of sale these assets had a carrying value amounting to R1,647,993.

(2) During 2018/2019 financial year the improvements on buidling which was leased to WRDA were donated to Rand West City Local Municipality since the building is now being used by its owner (Rand West City Local Municipality) and these improvements has been written off.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	111,815	(111,814)	1	111,815	(111,754)	61

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	61	(60)	1

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	17,930	(17,869)	61

6. Deferred tax

Deferred tax liability

Deferred tax asset

Reconciliation of deferred tax asset \ (liability)

	2019	2018
At beginning of year	-	-
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	(916,438)	(737,735)
Increases (decrease) in valuation allowance of deferred tax asset	916,438	737,735
	-	-

Make up of Deferred Taxation Balance 2019	Balance at tbe beginning of year	Charge/(credit) for the year	Balance at end of year
Property, plant and Equipment	(712,648)	(187,398)	(900,046)
Provision for leave pay	(25,087)	8,695	(16,392)
Estimated tax loss utilised	737,735	178,703	916,438
	-	-	-

Make up of Deferred Taxation Balance 2018	Balance at tbe beginning of year	Charge/(credit) for the year	Balance at end of year
Property, plant and Equipment	304,712	(1,017,360)	(712,648)
Provision for leave pay	(68,499)	43,412	(25,087)
Estimated tax loss utilised	(236,213)	973,948	737,735
	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Payables from exchange transactions

Trade payables (1)	3,016,595	2,199,255
Leave pay provision	148,138	89,595
	3,164,733	**2,288,850**

(1) Included in trade payables is R3,001,189 accrued for municpal levies from Rand West City Local Municipality. This account reflected a payable of R603,376 at 01 July 2018. The account is presently under dispute as it does not reflect the consumption made by the entity at Donaldson Dam.

8. VAT payable

VAT payables	4,878,562	4,494,238

The total vat payable balance at year end comprise of the following:-

Vat on Subsidies from WRDM	5,870,807	5,296,894
Other VAT on income and expenses	(992,245)	(802,656)
	4,878,562	**4,494,238**

The VAT liability on the WRDM subsidies has been determined in terms of Section 8(5) of the VAT Act.

9. Share capital / contributed capital

Issued		
Ordinary	100	100
Share premium	14,578,428	14,578,428
	14,578,528	**14,578,528**

The share premium comprises the equity contribution by the WRDM when assets were transferred on establishment of WRDA.

The assets transferred were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: The application of deemed cost on the adoption of standards of GRAP.

10. Transfers payable (non-exchange)

Transfers payable	2,000,000	2,000,000

The grant was originally gazetted to West Rand District Municipality from Gauteng Department of Agriculture and rural development. West Rand Development Agency was therefore appointed to be an implementing agent through the Council resolution of the Parent Municipality.

11. Revenue

Rental of facilities and equipment	344,796	238,633
Interest received - investment	184,878	-
Government grants & subsidies	3,826,087	3,859,649
	4,355,761	**4,098,282**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	344,796	238,633
Interest received - investment	184,878	-
	529,674	**238,633**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	3,826,087	3,859,649

12. Rental of facilities and equipment

Premises		
Premises	53,739	89,349
Facilities and equipment		
Rental of facilities	291,057	149,284
	344,796	**238,633**

13. Gain (loss) on disposal of assets and liabilities

Profit/ (loss) on sale of asset is calculated as follows:

Carrying amount of assets at the date of sale	-	(1,647,993)
Carrying amount of asset at the date of a write off	(27,192)	-
Proceeds for sale of assets	-	5,260,125
	(27,192)	**3,612,132**

14. Government grants and subsidies

Operating grants		
Net WRDM contribution	3,826,087	3,859,649

Conditional and Unconditional

WRDM Contribution: Monetary	4,400,000	4,400,000
Less: Vat output	(573,913)	(540,351)
	3,826,087	**3,859,649**
Unconditional grants received	3,826,087	3,859,649

Reconciliation of WRDM grant/ subsidy		
Gross WRDM contribution: Monetary	4,400,000	4,408,068
Less VAT output	(573,913)	(548,419)
	3,826,087	**3,859,649**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Employee related costs

Basic	1,456,352	1,601,792
Leave pay provision charge/ (savings)	58,543	36,534
Acting allowances	954,251	878,812
Car allowance	-	16,000
Cellphone allowance	-	6,000
	2,469,146	**2,539,138**

Remuneration of directors and executive managers

Board fees - non-executive directors	685,500	596,500
Basic salary and allowances - executive managers	618,452	938,293
	1,303,952	**1,534,793**

Included above is the remuneration to the CEO and non-executive directors, disclosed below. Further details of directors remuneration is set out on page 5.

16. Depreciation and amortisation

Property, plant and equipment	159,753	325,295
Intangible assets	60	17,869
	159,813	**343,164**

17. Lease rentals on operating lease

Rental expense		
Premises - Contractual amounts	159,725	469,609

Rental expense is expected to decrease in the following year due to entity's decision in moving to new premises and the rental amount is affordable. Refer to the note 24 on operating lease commitments.

18. Contracted services

Outsourced Services		
Security Services	242,984	330,383
Contractors		
Maintenance of Buildings and Facilities	13,995	-
	256,979	**330,383**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Operating costs

Advertising	44,251	48,653
Auditors remuneration	38,704	329,452
Bank charges	12,669	10,236
Consumables	30,531	13,040
Entertainment	-	10,048
IT expenses (1)	-	25,260
Fuel and oil (2)	5,020	5,087
Printing and stationery	25,750	12,443
Telephone and fax	58,528	25,748
Utilities (3)	2,182,708	460,901
Statutory payments: Annual returns (4)	-	4,400
	2,398,161	**945,268**

(1) IT expenses relates to the removal of telephones when the entity relocated and installation of the telephones into new premises.

(2) Fuel and oil expense relates to fuel used by grass cutters machine at Donaldson dam.

(3) Utilities relates to municipal levies charged by Rand West City Local Municipality at Donaldson dam. Previously the estimates were used to determine service consumption. There is presently an investigation of the readings which were taken to to bring the account to the level it is currently in order to confirm that consumption indeed occurred at Donaldson Dam. This may be due to possible water theft and losses, however the account is presently under dispute.

(4) Annual returns expenditure relates to the filing of annual returns with CIPC which were long outstanding over past years.

20. Taxation

Major components of the tax expense

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting (deficit) surplus	(1,800,755)	2,486,352
Tax at the applicable tax rate of 28% (2018: 28%)	(504,211)	696,179
Tax effect of adjustments on taxable income		
Utilised tax loss	-	(696,179)
Tax losses carried forward	504,211	-
	-	-

Please refer to the deferred tax note 7.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Cash (used in) generated from operations

(Deficit) surplus	(1,800,755)	2,486,352
Adjustments for:		
Depreciation and amortisation	159,813	343,164
Loss /(gain) on sale of assets and liabilities	27,192	(3,612,132)
Accrued interest	(24,772)	-
Other non-cash items	(1,028)	1
Changes in working capital:		
Other receivables	(2,200,000)	-
Payables from exchange transactions	875,883	412,930
VAT	384,324	387,934
Taxes and transfers payable (non exchange)	-	2,000,000
	(2,579,343)	**2,018,249**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Other receivables	2,229,997	2,229,997
Cash and cash equivalents	4,763,434	4,763,434
	6,993,431	**6,993,431**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3,164,733	3,164,733
Transfers payable (non-exchange)	2,000,000	2,000,000
	5,164,733	**5,164,733**

2018

Financial assets

	At amortised cost	Total
Cash and cash equivalents	2,099,502	2,099,502
Other receivables	5,260,125	5,260,125
	7,359,627	**7,359,627**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	2,288,850	2,288,850
Transfers payable (non-exchange)	2,000,000	2,000,000
	4,288,850	**4,288,850**

23. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	180,000	180,000

Operating lease payments represent rentals payable by the entity for certain of its office properties in Krugersdorp over indifinite life. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Contingencies

Contingent liabilities

The Development Agency cannot reliably determine the amount of penalties or interest that would be payable to the Receiver of Revenue as a result of errors made in accounting for vat in prior years. The vat treatment has accordingly been reported and accounted for in prior year audited annual financial statements.

	2019	2018
Vodacom *Services were provided for telephone and mobile. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.*	33,069	33,069
Aurecon *Services were provided for legal issues. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.*	10,130	10,130
	43,199	**43,199**

25. Related parties

Relationships	
Directors	Refer to directors' report note

Related party balances

	2019	2018
Amounts included in Other receivables (Óther Payables) regarding related parties		
West Rand District Municipality	2,200,000	5,260,125
Amounts included in Trade Payables regarding related parties		
Rand West City Local Municipality	3,001,189	603,376

Related party transactions

	2019	2018
Susbisdy received from related parties		
West Rand District Municipality	4,400,000	4,400,000
Grants transferred from related parties to operationalise Milling plant		
West Rand District Municipality	-	2,000,000

26. Prior period restatements and errors

The restatements related to the correction of error on depreciation for 2017/18 financial as it was over estimated.

The entity restated trade and other payables due to Municipal levies which were under charged for 2017/18 financial period.

Grant relating to the operationalisation of the Milling plant was reclassified as payables from non-exchange transactions since the grant was gazetted to the Parent Municipality. The entity was only assisting WRDM with implementation thereof.

The restatement results in adjustments as follows:

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26. Prior period restatements and errors (continued)

Statement of Financial Performance (Income)	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Rental of facilities and equipment	238,633	-	-	-	238,633

Statement of Financial Performance (Expense)	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Depreciation and amortisation	(344,056)	-	-	892	(343,164)
Operating costs	(548,804)	-	-	(396,464)	(945,268)
	(892,860)	**-**	**-**	**(395,572)**	**(1,288,432)**

Statement of Financial Position	**As Previously Reported**	**Change in accounting policy**	**Re-Classification**	**Restatement**	**Restated Balance**
Property, plant and equipment	12,879,255	-	-	892	12,880,147
Payables from exchange transactions	(1,832,917)	-	-	(455,933)	(2,288,850)
Transfers payable (non-exchange transactions)	-	-	(2,000,000)	-	(2,000,000)
Unspent conditional grants and receipts	(2,000,000)	-	2,000,000	-	-
VAT payable	(4,553,707)	-	-	59,469	(4,494,238)
Accumulated surplus/ (deficit)	2,726,209	-	-	395,572	3,121,781
	7,218,840	**-**	**-**	**-**	**7,218,840**

27. Risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

28. Going concern

We draw attention to the fact that at 30 June 2019, the entity's total current liabilities exceed its current assets by R 3,061,725 indicating that the entity is technically insolvent. The directors of the entity are working tirelessly to improve the financial situation.

We draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus (deficit) of R (4,918,337) and that the entity's total assets exceed its liabilities by R 9,660,191.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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28. Going concern (continued)

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors submitted a business plan that was approved by the Parent Municipality's Council. In the business plan it is proposed that in order to ensure sustainability and overcome the entity complete dependency on its Parent Municipality annual subsidy, WRDM and its constituent local municipalities will appoint the entity as their development implementation agent in all their infrastructure projects and in consideration as an administration fee the entity will levy an amount equivalent to 5% of the entire project value. The entity has established a good and trustworthy working relationship with its strategic partners both in the public and private sector. The entity have built solid working relationships with its key development stakeholders for the sake of implementing its business plan, namely Sibanye-Stillwater, Goldfield, Busmark, Public Investment Cooperation PIC, Gauteng Infrastructure Financing Agency ("GIFA") the Far West Rand Dolomitic Association ("FWRDA") South African Department of Planning, Monitoring and Evaluation ("DPME"), Mogale Arts and Heritage Development Company NPC and eGoli Gold Mining Tours.

29. Events after the reporting date

The entity received an amount of R2.2 million from WRDM with regards to the outstanding subsidy from Parent Municipality. This assisted the entity with a positive cash flow, resulting in majority of outstanding creditors being paid subsequent to year-end..

30. Unauthorised expenditure

Add for the year- capital additions	-	27,250
Less writen off	-	(27,250)
	-	-

Unauthorised expenditure relates to the purchase of fixed assets relating to grass cutters which were not budgeted for.

31. Fruitless and wasteful expenditure

Opening balance	381,582	380,532
Add: for the year - CIPC penalties on filing annual returns (b)	-	1,050
	381,582	**381,582**

(a) The SARS penalties and interest relates to late payments of PAYE and VAT and interest charged thereon.

(b) The CIPC penalties relates to the late filing of annual company returns with Companies and Intellectual Property Commission (CIPC)

32. Irregular expenditure

Opening balance	214,940	214,940

Analysis of expenditure awaiting condonation per age classification

Prior years	214,940	214,940

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33. Additional disclosure in terms of Municipal Finance Management Act

Companies and Intellectual Property Commission

Opening balance	-	3,600
Current year subscription / fee	-	800
Amount paid - current year	-	(4,400)
	-	-

Payment to Companies and Intellectual Property Commission relates to the filing of annual returns which were outstanding in prior years.

Audit fees

Opening balance	33	-
Current year subscription / fee	38,704	375,126
Amount paid - current year	(38,737)	(375,093)
	-	**33**

PAYE and UIF

Current year PAYE & UIF	489,768	828,806
Amount paid - current year	(489,768)	(828,806)
	-	-

VAT

VAT payable	4,878,562	4,494,238

34. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.